



Corporation Tax Act 2010

2010 CHAPTER 4

PART 22

MISCELLANEOUS PROVISIONS

CHAPTER 1

TRANSFERS OF TRADE WITHOUT A CHANGE OF OWNERSHIP

Introduction

938 Overview of Chapter

- (1) This Chapter contains rules for cases where a trade is transferred between companies within the charge to tax and certain conditions as to common ownership of the trade are met.
- (2) Section 939 explains when there is a transfer of a trade for the purposes of this Chapter.
- (3) Sections 940 to 943 contain provision about when this Chapter applies to a transfer of a trade.
- (4) Sections 944 to 950 set out the effects of this Chapter in relation to a transfer to which it applies.
- (5) Sections 951 to 953 contain supplementary provision.

939 Meaning of “transfer of a trade” and related expressions

- (1) This section applies for the purposes of this Chapter.
- (2) If, on a company ceasing to carry on a trade, another company begins to carry it on, there is a transfer of a trade.

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- (3) The trade that is transferred is referred to in this Chapter as “the transferred trade”.
- (4) In relation to a transfer of a trade—
 - “the predecessor” means the company which ceases to carry on the trade, and
 - “the successor” means the company which begins to carry on the trade.
- (5) In this Chapter, except in so far as the context otherwise requires—
 - (a) references to a trade include an office, and
 - (b) references to carrying on a trade include holding an office.

Transfers to which Chapter applies

940 Transfers to which Chapter applies

This Chapter applies to a transfer of a trade if—

- (a) the ownership condition is met (see sections 941 and 942), and
- (b) the tax condition is met (see section 943).

941 The ownership condition

- (1) The ownership condition is that—
 - (a) on the transfer of the transferred trade or at some time during the period of two years beginning immediately after the transfer, a 75% interest in the transferred trade belongs to certain persons, and
 - (b) at some time during the period of one year ending immediately before the transfer, a 75% interest in the transferred trade belonged to the same persons.
- (2) In subsection (1) references to a 75% interest are to an interest amounting to a share of at least 75%.
- (3) If at any time the activities of the transferred trade are actually included in the activities of another trade, for the purposes of subsection (1) interests in the transferred trade at that time are determined by reference to interests in the other trade.
- (4) Accordingly, a person who has an interest in the other trade at that time is taken to have a corresponding interest in the transferred trade.
- (5) For the purposes of this section—
 - (a) if two or more companies carry on a trade, the interests in the trade belonging to them are taken to correspond to the shares of the trade’s profits to which they are entitled, and
 - (b) an interest in a trade belonging to trustees (otherwise than for charitable or public purposes) is treated as belonging to the persons for the time being entitled to the income under the trust.
- (6) If a company is carrying on a trade, the interest in the trade belonging to the company may be treated in accordance with any of the options set out in section 942(1) if that results in the ownership condition being met.
- (7) In determining for the purposes of this section the extent to which an interest in a trade belongs at different times to the same persons—

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- (a) the persons from time to time entitled to the income under a trust are treated as a single person, and
 - (b) persons who are relatives of one another are treated as a single person.
- (8) In subsection (7) “relative” means spouse, civil partner, ancestor, lineal descendant, brother or sister.

942 Options that may be applied for the purposes of the ownership condition

- (1) The options referred to in section 941(6) are as follows (with references in the options to “the trading company” being to the company to which the interest in the trade belongs as mentioned in that subsection).

Option 1

The interest in the trade is taken to belong to the persons owning the ordinary share capital of the trading company in proportion to the amount of their holdings of that capital.

Option 2

This option can be applied if the trading company is the subsidiary of another company (see subsection (2)).

The interest in the trade is taken to belong to—

- (a) a company that is a parent company of the trading company (see subsection (3)), or
- (b) the persons owning the ordinary share capital of such a parent company in proportion to the amount of their holdings of that capital.

Option 3

This option can be applied if—

- (a) a person (“P”) has management control over a company (see subsections (4) and (5)), and
- (b) by applying Option 1 or 2 an interest in the trade can be taken to belong to that company.

That interest in the trade is instead taken to belong to P.

- (2) For the purposes of this section a company (“company A”) is a subsidiary of another company (“company B”) if at least 75% of company A’s ordinary share capital is owned by company B.
- (3) If company A is a subsidiary of company B, company B is a parent company of company A unless both are subsidiaries of a third company.
- (4) For the purposes of subsection (1) a person has management control over a company if the person has the power to secure that the affairs of the company are conducted in accordance with the wishes of the person.
- (5) “Power” in subsection (4) means power resulting from—
- (a) the holding of shares or the possession of voting rights in or in relation to any company, or
 - (b) a document regulating any company.
- (6) In this section references to a person owning ordinary share capital are to be read, if the person is a company, as references to the company owning the capital—
- (a) directly,

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- (b) through another company or companies, or
 - (c) partly directly and partly through another company or companies.
- (7) If a company owns ordinary share capital as mentioned in subsection (6)(b) or (c), the amount of the capital owned by the company is determined in accordance with sections 1155 to 1157.
- (8) In this section references to ownership are references to beneficial ownership.

943 The tax condition

- (1) The tax condition is that, in the period mentioned in subsection (2), the transferred trade is carried on only by companies within the charge to corporation tax or income tax in respect of the trade.
- (2) That period is the period—
- (a) beginning with the latest time at which the requirement of section 941(1)(b) is met for the purposes of the ownership condition, and
 - (b) ending with the earliest time at which the requirement of section 941(1)(a) is met for the purposes of that condition.
- (3) If at any time the activities of the transferred trade are actually included in the activities of another trade, subsection (1) applies in relation to that time as if references to the transferred trade were references to the other trade.

Effect of Chapter in relation to transfers to which it applies

944 Modified application of Chapter 2 of Part 4

- (1) If this Chapter applies to a transfer of a trade, Chapter 2 of Part 4 (relief for trade losses) has effect subject to subsections (2) and (3).
- (2) Section 39 (terminal losses: extension of periods for which relief may be given) does not apply in relation to a loss made by the predecessor in the transferred trade.
- (3) Relief under section 45 (carry forward of trade loss against subsequent trade profits) is given to the successor in relation to a loss—
- (a) which is made by the predecessor in the transferred trade, and
 - (b) for which relief would have been given under that section to the predecessor had it continued to carry on that trade.
- (4) Subsection (3) is subject to—
- (a) any claim made by the predecessor under section 37 (including a case where section 42 applies), and
 - (b) section 945.

945 Cases in which predecessor retains more liabilities than assets

- (1) This section applies if L exceeds A.
- (2) “L” is the amount of the predecessor’s liabilities so far as they—
- (a) are outstanding immediately before the transfer of the transferred trade, and
 - (b) are not transferred to the successor on the transfer of the trade.

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- (3) “A” is the sum of the values of—
- (a) the predecessor’s assets immediately before the transfer of the transferred trade so far as they are not transferred to the successor on that transfer, and
 - (b) the consideration given to the predecessor by the successor in relation to the transfer of the transferred trade.

- (4) The relief to be given to the successor as a result of section 944(3) is limited to—

R – E

where—

R is the total amount of loss for which relief could be given to the successor as a result of section 944(3), ignoring this section, and

E is the amount by which L exceeds A.

- (5) If R does not exceed E, no relief is to be given to the successor.

946 Rules for determining “L”

- (1) This section applies for the purposes of section 945(2) (determination of “L”).
- (2) A liability is to be ignored if—
- (a) the predecessor was the predecessor in relation to a transfer of a trade on a previous application of this Chapter, and
 - (b) on that previous application of this Chapter the liability was apportioned under section 952 to a trade carried on by the company that was the successor on that application.
- (3) Subsection (4) applies if—
- (a) the predecessor transfers a liability to the successor, and
 - (b) the creditor in question has agreed to accept settlement of part of the liability as settlement for the whole of it.
- (4) The transfer of the liability is taken to cover only the part of the liability mentioned in subsection (3)(b).
- (5) The predecessor’s capital is to be treated as a liability of the predecessor so far as it is recently converted capital (but not otherwise).
- (6) For the purposes of subsection (5) a part of the predecessor’s capital is recently converted capital if—
- (a) it was issued or otherwise originated on the conversion of a liability that was not part of the predecessor’s capital or on the conversion of a part of that capital that was itself recently converted capital, and
 - (b) the conversion occurred during the period of 12 months ending with the day on which the transfer of the transferred trade occurs.
- (7) In this section “the predecessor’s capital” means the predecessor’s share capital, share premium account, reserves and relevant loan stock.
- (8) In subsection (7) “relevant loan stock” means any loan stock or similar security (whether secured or unsecured) other than any to which subsection (9) applies.

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- (9) This subsection applies to any stock or security if, when the liability giving rise to the stock or security was incurred, the person who was the creditor was carrying on a trade of lending money.

947 Rules for determining “A”

- (1) Subsections (2) to (4) apply for the purposes of section 945(3)(a) (determination of assets within “A”).
- (2) An asset is to be ignored if—
- (a) the predecessor was the predecessor on a previous application of this Chapter, and
 - (b) on that previous application of this Chapter the asset was apportioned under section 952 to a trade carried on by the company that was the successor on that application.
- (3) The value of an asset is to be taken to be the price which it might reasonably be expected to have fetched on a sale in the open market immediately before the transfer of the transferred trade.
- (4) If immediately before the transfer of a trade—
- (a) the predecessor has relevant loan stock (as defined by section 946(8)) that is not included in L, and
 - (b) the stock is secured on an asset of the predecessor that is not transferred to the successor on the transfer of the trade,
- the value of the asset is reduced by the amount of the liability.
- (5) Subsection (6) applies for the purposes of section 945(3)(b) (determination of consideration within “A”).
- (6) If the successor assumes a liability of the predecessor, that does not count as giving consideration.

948 Modified application of CAA 2001

- (1) If this Chapter applies to a transfer of a trade, CAA 2001 has effect subject to subsections (2) to (4).
- (2) Any allowances or charges are to be made to or on the successor if such allowances or charges would have been made to or on the predecessor had the predecessor continued to carry on the transferred trade.
- (3) A transfer of assets from the predecessor to the successor does not of itself give rise to any allowances or charges if—
- (a) the transfer of the assets is made on the transfer of the transferred trade, and
 - (b) the assets are in use for the purposes of that trade.
- (4) For the purpose of determining the amount of the allowances or charges mentioned in subsection (2) to be made to the successor—
- (a) the successor is to be treated as if it has been carrying on the transferred trade since the predecessor began to do so, and
 - (b) anything done to or by the predecessor is to be treated as having been done to or by the successor.

- (5) This section is subject to sections 949 and 950.
- (6) For other cases in which this section does not apply in relation to a transfer, see—
 - (a) section 561 of CAA 2001 (transfer to company in another member State), and
 - (b) section 561A of that Act (transfer during formation of SE by merger).

949 Dual resident investing companies

- (1) Section 948(1) to (4) does not apply if the successor is a dual resident investing company in the transfer accounting period.
- (2) A company is a “dual resident investing company” in the transfer accounting period if the company—
 - (a) is a dual resident company in that period (see subsection (3)), and
 - (b) meets condition A, B or C (see subsections (4) to (6)).
- (3) A “dual resident company” is a company that is both UK resident and also within a charge to non-UK tax under the law of a territory because—
 - (a) it derives its status as a company from that law,
 - (b) its place of management is in that territory, or
 - (c) it is for some other reason treated under that law as resident in that territory for the purposes of that tax.
- (4) Condition A is that the successor is not a trading company throughout the transfer accounting period.
- (5) Condition B is that in the transfer accounting period the successor carries on a trade of such a description that the company’s main function, or one of its main functions, consists of one or more of the following activities.
 - Activity 1*
Acquiring and holding shares, securities or investments of any other kind (whether directly or indirectly).
 - Activity 2*
Making, under loan relationships, payments in relation to which debits fall to be brought into account for the purposes of Part 5 of CTA 2009.
 - Activity 3*
Making payments which are qualifying charitable donations.
 - Activity 4*
Making payments similar to those within Activity 3 but which are deductible in calculating the profits of the successor for corporation tax purposes.
 - Activity 5*
Obtaining funds for the purposes of, or otherwise in connection with, any of Activities 1 to 4.
- (6) Condition C is that in the transfer accounting period the successor carries on one or more of Activities 1 to 5—
 - (a) to an extent that does not appear to be justified by any trade which it carries on, or
 - (b) for a purpose that does not appear to be appropriate to any such trade.
- (7) In this section—

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“non-UK tax” has the same meaning as in Part 5 (see section 187),
“trading company” means a company the business of which consists wholly or mainly in the carrying on of a trade or trades, and
“the transfer accounting period” means the accounting period of the successor in which the transfer of the transferred trade takes place.

950 Transfers of trades involving business of leasing plant or machinery

- (1) This section applies if the transferred trade is or forms part of a business of leasing plant or machinery which the predecessor or the successor carries on on the day of the transfer of that trade (“the transfer day”).
- (2) If, on the transfer day, both the predecessor and the successor carry on the transferred trade otherwise than in partnership, section 948(1) to (4) does not apply unless—
 - (a) the principal company or companies of the predecessor immediately before the transfer are the same as the principal company or companies of the successor immediately afterwards, and
 - (b) if any such principal company is a consortium principal company, the following condition is met.
- (3) The condition is that the ownership proportion in relation to the predecessor immediately before the transfer is the same as the ownership proportion in relation to the successor immediately afterwards (regardless of whether the members of each consortium are the same).
- (4) If, on the transfer day, the predecessor or the successor carries on the transferred trade in partnership, section 948(1) to (4) does not apply unless—
 - (a) the predecessor ceases to carry on the whole of its trade, and
 - (b) that trade is a business of leasing plant or machinery which the predecessor carries on in partnership on the transfer day.
- (5) If section 948(1) to (4) does not apply as a result of this section, the plant or machinery of the transferred trade is treated for the purposes of the Corporation Tax Acts as sold by the predecessor to the successor on the transfer day for its market value immediately before the transfer of the trade.
- (6) In this section—

“business of leasing plant or machinery”—

 - (a) if the business is carried on otherwise than in partnership, has the same meaning as in section 387, and
 - (b) if the business is carried on in partnership, has the same meaning as in section 410,

“consortium principal company” means a company which is a principal company as a result of section 394,
“market value”, in relation to plant or machinery, is to be read in accordance with section 437(9),
“ownership proportion” has the same meaning as in section 394,
“plant or machinery” has the same meaning as in Part 2 of CAA 2001, and
“principal company” is to be read in accordance with section 393 or 394 (as the case may be).

Supplementary

951 Part of trade treated as separate trade

- (1) Subsection (2) applies (subject to subsection (5)) if—
 - (a) a company (“the transferor”) ceases to carry on a trade (“trade X”) and another company (“the transferee”) begins to carry on the activities of trade X as part of its trade (“part X”), and
 - (b) there would have been a transfer of trade X from the transferor to the transferee had the transferee begun to carry on part X as a separate trade.
- (2) This Chapter has effect as if the transferee carries on part X as a separate trade.
- (3) Subsection (4) applies (subject to subsection (5)) if—
 - (a) a company (“the transferor”) ceases to carry on a part of a trade (“part Y”) and another company (“the transferee”) begins to carry on the activities of part Y as its trade or as part of its trade, and
 - (b) there would have been a transfer of a trade (including as a result of subsection (2)) from the transferor to the transferee had the transferor been carrying on part Y as a separate trade.
- (4) This Chapter has effect as if the transferor had carried on part Y as a separate trade.
- (5) Subsections (2) and (4) are to be ignored for the purposes of sections 941(3) and (4) and 943(3).
- (6) If part of a trade is treated as a separate trade in accordance with subsection (4)—
 - (a) references in section 945(2) to liabilities are to be read as references to liabilities apportioned under section 952, and
 - (b) references in section 945(3) to assets are to be read as references to assets so apportioned.

952 Apportionment if part of trade treated as separate trade

- (1) If part of a trade is treated as a separate trade in accordance with section 951(2) or (4), just and reasonable apportionments are to be made of receipts, expenses, assets and liabilities.
- (2) Subsection (3) applies if—
 - (a) at the time of an apportionment under subsection (1) it appears that the apportionment is material to the liability to tax (for whatever period) of two or more companies, and
 - (b) a question arises as to how the apportionment is to be made for the purposes of the liability of those companies.
- (3) The question is to be determined in the same way as an appeal, and all the companies concerned are entitled to be a party to the proceedings.

953 Application of Chapter to further transfers of a trade

- (1) This section applies if—
 - (a) there is a transfer of a trade (“the original transfer”) that meets the ownership condition and the tax condition (see sections 941 and 943),

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- (b) after the original transfer there was a further transfer of the trade from the successor in relation to the original transfer to a third company (“the further transfer”),
 - (c) the further transfer took place at any time before the end of the period specified in subsection (7),
 - (d) the ownership condition was met in relation to the original transfer only on or after the further transfer, and
 - (e) apart from this section, this Chapter would not apply to the further transfer.
- (2) This Chapter applies to the further transfer as well as to the original transfer.
- (3) In the application of this Chapter to the further transfer—
- (a) the successor in relation to the original transfer is taken to be the predecessor in relation to the further transfer, and
 - (b) the third company is taken to be the successor in relation to the further transfer.
- (4) In the application of sections 944 to 950 in relation to the original transfer, references to the successor include references to the successor in relation to the further transfer.
- (5) In the application of those sections in relation to the further transfer, references to the predecessor include references to the predecessor in relation to the original transfer.
- (6) If, at a time before the end of the period specified in subsection (7), the transferred trade was transferred from the successor in relation to the further transfer to another company, subsections (2) to (5) and this subsection apply again in a like manner (and so on).
- (7) The period referred to above is the period—
- (a) beginning at the time when the original transfer takes place, and
 - (b) ending immediately after the earliest time when the ownership condition was met in respect of the original transfer (see section 941(1)).

CHAPTER 2

TRANSFERS OF TRADE TO OBTAIN BALANCING ALLOWANCES

954 Transfer of activities on complete cessation of trade

- (1) This section applies (subject to section 957(1)) if—
- (a) a company (“the predecessor”) ceases to carry on a trade,
 - (b) another company (“the successor”) begins to carry on the activities of that trade as its trade or as part of its trade,
 - (c) the successor is not a dual resident investing company,
 - (d) in the accounting period in which the predecessor ceases to carry on the trade the predecessor would (apart from this section) be entitled under Part 2 of CAA 2001 (plant and machinery allowances) to a balancing allowance in respect of the trade, and
 - (e) the predecessor’s ceasing to carry on the trade is part of a scheme or arrangement the main purpose, or one of the main purposes, of which is to entitle the predecessor to that balancing allowance.
- (2) CAA 2001 has effect subject to subsections (3) to (5).

- (3) Any allowances or charges are to be made to or on the successor if such allowances or charges would have been made to or on the predecessor had the predecessor continued to carry on the trade.
- (4) A transfer of assets from the predecessor to the successor does not of itself give rise to any allowances or charges if—
 - (a) the transfer of the assets is made on the transfer of the trade, and
 - (b) the assets are in use for the purposes of that trade.
- (5) For the purpose of determining the amount of the allowances or charges mentioned in subsection (3) to be made to the successor—
 - (a) the successor is to be treated as if it has been carrying on the trade since the predecessor began to do so, and
 - (b) anything done to or by the predecessor is to be treated as having been done to or by the successor.
- (6) If the successor carries on the activities of the trade as part of its trade, that part is to be treated for the purposes of subsections (3) to (5) as a separate trade carried on by the successor.
- (7) In subsection (1)(c) “dual resident investing company” has the same meaning as in section 949 (with references in that section to the “transfer accounting period” construed as references to the accounting period of the successor in which it begins to carry on the activities of the trade as mentioned in subsection (1)(b) above).

955 Transfer of activities on part cessation of trade

- (1) This section applies (subject to section 957(1)) if—
 - (a) a company (“the predecessor”) ceases to carry on part of a trade,
 - (b) another company (“the successor”) begins to carry on the activities of that part of the trade as its trade or as part of its trade,
 - (c) the successor is not a dual resident investing company, and
 - (d) the predecessor’s ceasing to carry on the part of the trade mentioned in paragraph (a) is part of a scheme or arrangement the main purpose, or one of the main purposes, of which is to entitle the predecessor, on cessation of that part of the trade, to a balancing allowance in respect of the trade under Part 2 of CAA 2001.
- (2) CAA 2001 has effect subject to subsections (3) to (6).
- (3) The part of the trade which the predecessor ceased to carry on is to be treated as a separate trade (“the deemed separate trade”).
- (4) Any allowances or charges are to be made to or on the successor if such allowances or charges would have been made to or on the predecessor had the predecessor continued to carry on the deemed separate trade.
- (5) A transfer of assets from the predecessor to the successor does not of itself give rise to any allowances or charges if—
 - (a) the transfer of the assets is made on the transfer of the deemed separate trade, and
 - (b) the assets are in use for the purposes of that trade.

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- (6) For the purpose of determining the amount of the allowances or charges mentioned in subsection (4) to be made to the successor—
 - (a) the successor is to be treated as if it has been carrying on the deemed separate trade since the predecessor began to do so, and
 - (b) anything done to or by the predecessor is to be treated as having been done to or by the successor.
- (7) If the successor carries on the activities of the part of the trade mentioned in subsection (1)(a) as part of its trade, that part of the successor’s trade is to be treated for the purposes of subsections (4) to (6) as a separate trade carried on by the successor.
- (8) In subsection (1)(c) “dual resident investing company” has the same meaning as in section 949 (with references in that section to the “transfer accounting period” construed as references to the accounting period of the successor in which it begins to carry on the activities of the part of the trade as mentioned in subsection (1)(b) above).

956 Apportionment if part of trade treated as separate trade

- (1) If part of a trade is to be treated as a separate trade in accordance with section 954(6) or 955(7), just and reasonable apportionments are to be made of receipts, expenses, assets and liabilities.
- (2) Subsection (3) applies if—
 - (a) at the time of an apportionment under subsection (1) it appears that the apportionment is material to the liability to tax (for whatever period) of two or more companies, and
 - (b) a question arises as to how the apportionment is to be made for the purposes of the liability of those companies.
- (3) The question is to be determined in the same way as an appeal, and all the companies concerned are entitled to be a party to the proceedings.

957 Chapter 2: supplementary

- (1) This Chapter does not apply in cases where Chapter 1 applies.
- (2) In this Chapter, except in so far as the context otherwise requires—
 - (a) references to a trade include an office, and
 - (b) references to carrying on a trade include holding an office.

CHAPTER 3

TRANSFER OF RELIEF WITHIN PARTNERSHIPS

958 Application

Section 960 (which provides for restrictions on the use of corporation tax relief) applies if—

- (a) a firm carries on a trade,
- (b) a company (referred to in this Chapter as “the partner company”) is a partner in the firm, and

- (c) arrangements within section 959 are in place.

959 Arrangements for transfer of relief

- (1) Arrangements are within this section if they have any of these effects.

Effect 1

The partner company receives a payment in respect of the cost of its share in the firm's losses of any accounting period of the firm.

Effect 2

A person connected with the partner company receives a payment in respect of the cost of the partner company's share in the firm's losses of any accounting period of the firm.

Effect 3

Another partner in the firm receives a payment in respect of the value of the partner company's share in the firm's profits or losses of any accounting period of the firm.

Effect 4

A person connected with another partner in the firm receives a payment in respect of the value of the partner company's share in the firm's profits or losses of any accounting period of the firm.

- (2) It does not matter for the purposes of subsection (1) whether the payment is received in respect of the whole of the partner company's share or in respect of only a part of it.
- (3) For the purposes of subsection (1) receiving a payment includes receiving or enjoying (whether directly or indirectly) any other benefit in money or money's worth.
- (4) For the purposes of Effect 1 arrangements, payments made in respect of group relief to the partner company by a group-related company are to be ignored.
- (5) In subsection (4) a "group-related" company is a company that is a member of the same group of companies as the partner company for the purposes of Part 5 (group relief) (see section 152).

960 Restrictions on use of reliefs

- (1) The partner company's share in the firm's loss of a relevant accounting period may be deducted for the purposes of corporation tax relief only from its share in the profits of the trade carried on by the firm.
- (2) For this purpose, qualifying charitable donations made by the firm in a relevant accounting period are to be treated as a loss of that period.
- (3) Unless allowed under subsection (1)—
- (a) a loss made in a trade may not be deducted for the purposes of corporation tax relief from the partner company's share in the firm's profits of a relevant accounting period, and
 - (b) if (ignoring this paragraph) any other amount could be used for the purposes of corporation tax relief, that amount may not be deducted for those purposes from the partner company's share in the firm's profits of a relevant accounting period.

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- (4) In this section a “relevant accounting period” is any accounting period of the firm in which arrangements within section 959 are in existence or to which any such arrangements apply.

961 Non-trading profits and losses

- (1) This section applies if—
- (a) a company is a partner in a firm, and
 - (b) any profits of the firm are charged to corporation tax under or by virtue of any provision to which section 1173 (miscellaneous charges) applies.
- (2) The profits or losses of the firm to which the company’s share is attributable are to be treated for the purposes of sections 958 to 960 as if they were profits or losses made by the firm in carrying on a trade.
- (3) Any allowance to be given effect under Part 2 of CAA 2001 in respect of a special leasing of plant or machinery is to be treated for those purposes as if it were an allowance to be given effect in calculating the profits of that trade.

962 Interpretation of Chapter

- (1) In this Chapter “arrangements” means arrangements of any kind (whether or not in writing).
- (2) References in this Chapter to a firm, and to an accounting period of a firm, are to be read in the same way as references to a firm, and to an accounting period of a firm, in Part 17 of CTA 2009.

CHAPTER 4

SURRENDER OF TAX REFUND WITHIN GROUP

963 Power to surrender tax refund

- (1) This section enables a company—
- (a) which is a member of a group, and
 - (b) to which a tax refund is due for an accounting period,
- to surrender the refund (or any part of it) to another company which is a member of the same group.
- (2) The surrender may be made only if—
- (a) the company making the surrender (“the surrendering company”) and the company to which the surrender is made (“the recipient company”) give notice to an officer of Revenue and Customs,
 - (b) the surrendering company and the recipient company are members of the same group throughout the period beginning with the start of the accounting period for which the tax refund is due and ending on the date on which the notice is given, and
 - (c) the recipient company also has that accounting period as an accounting period.
- (3) A notice under subsection (2) must—

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- (a) be given before the refund is made to the surrendering company,
 - (b) be given jointly by the surrendering company and the recipient company,
 - (c) specify the amount to be surrendered, and
 - (d) be in such form as the Commissioners for Her Majesty’s Revenue and Customs may require.
- (4) For the purposes of this section “tax refund”, in relation to an accounting period of a company, means—
- (a) a repayment of corporation tax paid by the company for the period, or
 - (b) a repayment of income tax in respect of a payment received by the company in the period.
- (5) For the purposes of this section two companies are members of the same group if (and only if) they would be for the purposes of Part 5 (group relief).

964 Effects of surrender of tax refund

- (1) This section makes provision about the effect of the surrender under section 963 of a tax refund due for an accounting period.
- (2) So far as the company to which the surrender is made (“the recipient company”) is concerned, the effect of the surrender is that—
- (a) the company is treated for all corporation tax purposes, except the one mentioned in subsection (3), as if it had paid an amount of corporation tax for the accounting period equal to the amount specified in the notice under section 963(2) (“the surrendered amount”), and
 - (b) the payment is treated for those purposes as if it had been made on the relevant date.
- (3) For the purpose of working out the amount of any penalty to which the recipient company is liable under paragraph 18 of Schedule 18 to FA 1998 (failure to deliver return: tax-related penalty), the recipient company is treated as having paid the amount of corporation tax on the day on which the notice under section 963(2) is given (and not on the relevant date).
- (4) So far as the company by which the surrender is made (“the surrendering company”) is concerned, the effect of the surrender is that—
- (a) the company is treated for corporation tax purposes as if it had received a repayment of tax equal to the surrendered amount, and
 - (b) the repayment is treated for those purposes as if it had been received on the relevant date.
- (5) If the tax refund surrendered is a repayment of corporation tax, any interest relating to it which has been paid by the surrendering company is treated as if it had been paid by the recipient company.
- (6) For the purposes of this section “the relevant date”, in relation to a tax refund, means—
- (a) so far as it consists of a repayment of corporation tax paid by the surrendering company after the date on which it became due and payable under section 59D or 59E of TMA 1970, the day on which it was paid by the surrendering company, and
 - (b) otherwise, the date on which corporation tax for the accounting period of the surrendering company became due and payable.

Status: This is the original version (as it was originally enacted).

965 Interest on tax overpaid or underpaid

- (1) This section applies if—
 - (a) a company has surrendered an amount under section 963, and
 - (b) there is, as a result of any of subsections (7A) to (7C) of section 826 of ICTA, a period for which the whole or any part of the surrendered amount would not have carried interest under that section if the refund had been made to the surrendering company (“the interest-free period”).
- (2) The interest-free period is excluded from any period for which any refund made because of section 964(2) to the recipient company in respect of some or all of the surrendered amount or, as the case may be, that part of it is to carry interest under section 826 of ICTA.
- (3) The interest-free period is excluded from any period for which a sum representing some or all of the surrendered amount or, as the case may be, that part of it would otherwise be treated (as a result of section 964) as not carrying interest under section 87A of TMA 1970.
- (4) The following assumption is to be made in determining for the purposes of this section—
 - (a) which part of any amount is applied in discharging a liability of the recipient company to pay corporation tax, and
 - (b) which part is represented by a refund to the recipient company.
- (5) The assumption is that the part in relation to which there is a period which would not have carried interest under section 826 of ICTA is applied in preference to any other part of that amount in or towards discharging the liability.

966 Payments for surrendered tax refunds

- (1) This section applies if—
 - (a) companies give a notice under section 963(2) in pursuance of an agreement, and
 - (b) the company to which the surrender is made makes a payment under the agreement to the company by which the surrender is made that does not exceed the amount specified in the notice.
- (2) The payment—
 - (a) is not to be taken into account in determining profits or losses of either company for corporation tax purposes, and
 - (b) is not to be regarded for the purposes of the Corporation Tax Acts as a distribution.

CHAPTER 5

SET OFF OF INCOME TAX DEDUCTIONS AGAINST CORPORATION TAX

967 Deductions from payments received by UK resident companies

- (1) Subsection (2) applies if a UK resident company receives a payment on which it bears income tax by deduction.

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- (2) The income tax on the payment is to be set off against any corporation tax assessable on the company for the accounting period in which the payment falls to be taken into account for corporation tax, or would fall to be so taken into account but for any exemption from corporation tax.
- (3) Subsection (2) is subject to the provisions of the Corporation Tax Acts.
- (4) The reference in subsection (1) to a payment received by a company—
 - (a) includes a reference to a payment received by another person on behalf of or in trust for the company, but
 - (b) does not include a reference to a payment received by the company on behalf of or in trust for another person.

968 Deductions from payments received by non-UK resident companies

- (1) Subsection (2) applies if—
 - (a) a non-UK resident company receives a payment on which it bears income tax by deduction, and
 - (b) the payment forms part of, or is to be taken into account in calculating, the company's income chargeable to corporation tax.
- (2) The income tax on the payment is to be set off against any corporation tax assessable on that income for the accounting period in which the payment falls to be taken into account for corporation tax.

CHAPTER 6

COLLECTION ETC OF TAX FROM UK REPRESENTATIVES OF NON-UK RESIDENT COMPANIES

969 Introduction to Chapter

- (1) This Chapter applies to the enactments relating to corporation tax so far as they make provision for or in connection with the assessment, collection and recovery of tax, or of interest on tax.
- (2) Those enactments have effect in accordance with section 970 in relation to a non-UK resident company and its UK representative.
- (3) For the purposes of this Chapter, the following rules apply to a permanent establishment in the United Kingdom through which a non-UK resident company carries on a trade.

Rule 1

The permanent establishment is the UK representative of the non-UK resident company in relation to chargeable profits of the company attributable to that establishment.

Rule 2

The permanent establishment continues to be the company's UK representative in relation to those profits even after ceasing to be a permanent establishment through which the non-UK resident company carries on a trade.

Rule 3

The permanent establishment is to be treated as a distinct and separate person from the non-UK resident company (if it would not otherwise be so treated).

- (4) For the determination of the chargeable profits attributable to a permanent establishment, see Chapter 4 of Part 2 of CTA 2009.

970 Obligations and liabilities in relation to corporation tax

- (1) The obligations and liabilities of a non-UK resident company are to be treated, for the purposes of the enactments to which this Chapter applies, as if they were also the obligations and liabilities of its UK representative.
- (2) Subsection (3) applies if—
- (a) the UK representative of a non-UK resident company discharges an obligation or liability that corresponds to one to which the non-UK resident company is subject, or
 - (b) a non-UK resident company discharges an obligation or liability that corresponds to one to which its UK representative is subject.
- (3) The corresponding obligation or liability—
- (a) of the non-UK resident company (in a case within subsection (2)(a)), or
 - (b) of the UK representative (in a case within subsection (2)(b)),
- is discharged.
- (4) A non-UK resident company is bound, as if they were its own, by acts or omissions of its UK representative in the discharge of the obligations and liabilities imposed on the UK representative by this section.
- (5) This section is subject to section 971.

971 Exceptions

- (1) An obligation or liability attaching to a non-UK resident company by reason of its having been given or served with a notice or other document does not also attach to its UK representative by virtue of section 970 unless the notice or other document (or a copy of it) has been given to or served on the representative.
- (2) An obligation or liability attaching to a non-UK resident company by reason of its having received a request or demand does not also attach to its UK representative by virtue of section 970 unless the representative has been notified of the request or demand.
- (3) A non-UK resident company is not bound by mistakes in information provided by its UK representative in pursuance of an obligation imposed on the representative by section 970 unless—
- (a) the mistake is the result of an act or omission of the company, or
 - (b) the mistake is one to which the company consented or in which it connived.
- (4) The UK representative of a non-UK resident company is not by virtue of section 970 liable to be proceeded against for a criminal offence unless the representative—
- (a) committed the offence, or
 - (b) consented to or connived in its commission.

972 Interpretation of Chapter

(1) In this Chapter—

“enactment” includes an enactment contained in subordinate legislation within the meaning of the Interpretation Act 1978, and

“information” includes anything contained in a return, self-assessment, account, statement or report required to be provided to the Commissioners for Her Majesty’s Revenue and Customs or to any officer of Revenue and Customs.

(2) In this Chapter references to carrying on a trade include holding an office.

CHAPTER 7

RECOVERY OF UNPAID CORPORATION TAX DUE FROM NON-UK RESIDENT COMPANY

973 Introduction to Chapter

(1) This Chapter enables unpaid corporation tax due from a non-UK resident company to be recovered from a related company.

(2) See also Chapter 6 of Part 14 (recovery of unpaid corporation tax from a linked person in some cases where there is a change in the ownership of a company).

(3) In subsection (1) and the following provisions of this Chapter, “company” means any body corporate.

(4) For the meaning of “related company”, see section 976.

974 Case in which this Chapter applies

(1) This Chapter applies if—

- (a) an amount of corporation tax has been assessed on a company for an accounting period,
- (b) the whole or any part of that amount is unpaid at the end of the period of 6 months after the time when it became payable, and
- (c) the company is non-UK resident.

(2) In this Chapter “the taxpayer company” means the company mentioned in subsection (1).

975 Meaning of “the relevant period”

In this Chapter “the relevant period”, in relation to an amount of unpaid corporation tax for an accounting period of the taxpayer company, means the period—

- (a) beginning 12 months before the start of the accounting period, and
- (b) ending when the unpaid tax became payable.

976 Meaning of “related company”

(1) A company is a “related company”, for the purposes of this Chapter, if, at any time in the relevant period, it was a member—

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- (a) of the same group as the taxpayer company,
 - (b) of a consortium which at that time owned the taxpayer company, or
 - (c) of the same group as a company which at that time was a member of a consortium owning the taxpayer company.
- (2) For the purposes of subsection (1)(a), two companies are members of the same group if—
- (a) one is the 51% subsidiary of the other, or
 - (b) both are 51% subsidiaries of a third company.
- (3) For the purposes of subsection (1)(c), two companies are members of the same group if they are members of the same group of companies within the meaning of Part 5 (group relief).
- (4) For the purposes of this Chapter—
- (a) a company is a member of a consortium if it is a member of a consortium within the meaning of Part 5, and
 - (b) a company is owned by a consortium if it is owned by a consortium within the meaning of that Part.

977 Notice requiring payment of unpaid tax

- (1) An officer of Revenue and Customs may serve a notice on a related company requiring it, within 30 days of the service of the notice, to pay—
- (a) in a case which is not a consortium case, the amount of the unpaid tax, or
 - (b) in a consortium case, the proportion of that amount found under section 979.
- (2) The notice must state—
- (a) the amount of corporation tax assessed on the taxpayer company for the accounting period in question that remains unpaid,
 - (b) the date when it first became payable, and
 - (c) the amount which is to be paid by the company on which the notice is served.
- (3) The notice has effect—
- (a) for the purposes of the recovery from that company of the amount required to be paid and of interest on that amount, and
 - (b) for the purposes of appeals,
- as if it were a notice of assessment and that amount were an amount of tax due from that company.
- (4) In this Chapter “consortium case” means a case where the related company is not within section 976(1)(a).

978 Time limit for giving notice

- (1) A notice under this Chapter must be served before the end of the period of 3 years beginning with the date when the liability of the taxpayer company to corporation tax for the accounting period in question is finally determined.
- (2) If the unpaid tax is charged as a result of a determination under paragraph 36 or 37 of Schedule 18 to FA 1998 (determination where no return delivered or return

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incomplete), the date mentioned in subsection (1) is taken to be the date when the determination is made.

- (3) If the unpaid tax is charged in a self-assessment, the date mentioned in subsection (1) is taken to be the latest of—
- (a) the last date when notice of enquiry may be given into the return containing the self-assessment,
 - (b) if notice of enquiry is given, 30 days after the enquiry is completed,
 - (c) if more than one notice of enquiry is given, 30 days after the last notice of completion,
 - (d) if after such an enquiry an officer of Revenue and Customs amends the return, 30 days after notice of the amendment is issued, and
 - (e) if an appeal is brought against such an amendment, 30 days after the appeal is finally determined.
- (4) If the unpaid tax is charged in a discovery assessment, the date mentioned in subsection (1) is taken to be—
- (a) if there is no appeal against the assessment, the date when the tax becomes due and payable, or
 - (b) if there is such an appeal, the date when the appeal is finally determined.
- (5) The reference in subsection (3) to a self-assessment includes a self-assessment that supersedes a determination (see paragraph 40 of Schedule 18 to FA 1998).

979 Amount payable in consortium case

- (1) In a consortium case, the amount that the related company may be required to pay by notice under this Chapter is the proportion of the unpaid tax corresponding—
- (a) if the company is only within section 976(1)(b), to the share which the company has had in the consortium for the relevant period,
 - (b) if the company is only within section 976(1)(c), to the share which companies that have been members of the same group of companies as the company have had in the consortium for the relevant period, or
 - (c) if the company is within section 976(1)(b) and (c), to whichever is the greater of the amounts given by paragraphs (a) and (b).
- (2) For the purposes of this section, a member's share in a consortium, in relation to the relevant period, is whichever is the lowest in that period of the percentages specified in subsection (3).
- (3) Those percentages are—
- (a) the percentage of the ordinary share capital of the taxpayer company which is beneficially owned by the member,
 - (b) the percentage to which the member is beneficially entitled of any profits available for distribution to equity holders of the taxpayer company, and
 - (c) the percentage to which the member would be beneficially entitled of any assets of the taxpayer company available for distribution to its equity holders on a winding up.
- (4) If any of the percentages mentioned in subsection (3) has fluctuated in the relevant period, the average percentage over the period is to be taken.

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- (5) Chapter 6 of Part 5 (equity holders and profits or assets available for distribution) applies for the purposes of subsection (3) as it applies for the purposes of sections 143(3)(b) and (c) and 144(3)(b) and (c).

980 Chapter 7: supplementary

- (1) A company that has paid an amount in pursuance of a notice under this Chapter may recover that amount from the taxpayer company.
- (2) A payment in pursuance of a notice under this Chapter is not allowed as a deduction in calculating income, profits or losses for any tax purposes.

CHAPTER 8

EXEMPTIONS

Trade unions and employers' associations

981 Exemption for trade unions and eligible employers' associations

- (1) No liability to corporation tax arises in respect of qualifying income or gains of a trade union or eligible employers' association if conditions A and B are met.
- (2) Condition A is that the trade union or employers' association is prevented by its rules or by Act of Parliament from assuring to any person a sum exceeding—
- (a) £4,000 by way of gross sum, or
 - (b) £825 by way of annuity.
- (3) Condition B is that the trade union or employers' association makes a claim for exemption under this section.
- (4) The following are to be ignored in determining whether condition A is met—
- (a) an annuity contract which constitutes a registered pension scheme, and
 - (b) an annuity contract which is issued or held in connection with a registered pension scheme other than an occupational pension scheme (within the meaning of section 150(5) of FA 2004).
- (5) The Treasury may by order—
- (a) amend the sum for the time being specified in subsection (2)(a) or (b) so as to increase it, and
 - (b) make provision about the income or gains in relation to which an amendment under paragraph (a) has effect.

982 Qualifying income or gains

- (1) In section 981(1)—
- (a) the reference to qualifying income of a trade union or eligible employers' association is to income which is not trading income and which is applicable and applied for the purposes of provident benefits, and

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- (b) the reference to qualifying gains of a trade union or eligible employers' association is to chargeable gains which are applicable and applied for the purpose of provident benefits.
- (2) In subsection (1) references to provident benefits include—
- (a) a payment expressly authorised by the rules of the trade union or employers' association which is made—
 - (i) to a member during sickness or incapacity from personal injury or while out of work,
 - (ii) to a member by way of superannuation by reason of age, sickness or incapacity from personal injury,
 - (iii) to a member who has met with an accident, or
 - (iv) to a member who has lost tools by fire or theft,
 - (b) a payment in discharge or aid of funeral expenses on the death of a member or the spouse or civil partner of a member, and
 - (c) a payment as provision for the children of a deceased member.

983 Meaning of “trade union” and “eligible employers’ association”

- (1) This section applies for the purposes of sections 981 and 982.
- (2) “Trade union” means—
- (a) an organisation the name of which is entered in the list maintained by the Certification Officer under section 2 of the Trade Union and Labour Relations (Consolidation) Act 1992 (list of trade unions),
 - (b) an organisation the name of which is entered in the list maintained by the Certification Officer for Northern Ireland under Article 5 of the Industrial Relations (Northern Ireland) Order 1992 (S.I. 1992/807 (N.I. 5)) (corresponding provision for Northern Ireland), and
 - (c) the Police Federation for England and Wales, the Police Federation for Scotland, the Police Federation for Northern Ireland and any other organisation of persons in police service which has similar functions.
- (3) “Employers’ association” means—
- (a) an organisation the name of which is entered in the list maintained by the Certification Officer under section 123 of the Trade Union and Labour Relations (Consolidation) Act 1992 (list of employers’ associations), and
 - (b) an organisation the name of which is entered in the list maintained by the Certification Officer for Northern Ireland under Article 5 of the Industrial Relations (Northern Ireland) Order 1992 (S.I. 1992/807 (N.I. 5)) (corresponding provision for Northern Ireland).
- (4) An employers’ association is eligible if—
- (a) in the case of an organisation falling within subsection (3)(a), it was a registered trade union for the purpose of section 338 of the Income and Corporation Taxes Act 1970 on 30 September 1971, and
 - (b) in the case of an organisation falling within subsection (3)(b), it was a trade union for the purposes of section 467 of ICTA immediately before the coming into operation of Article 5 of the Industrial Relations (Northern Ireland) Order 1992 (S.I. 1992/807 (N.I. 5)).

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Local authorities etc

984 Local authorities and local authority associations

- (1) A local authority in the United Kingdom is not liable to corporation tax.
- (2) A local authority association in the United Kingdom is not liable to corporation tax.

Health service bodies

985 Health service bodies

- (1) A health service body is not liable to corporation tax.
- (2) Subsection (1) is subject to any order made under section 987.
- (3) See section 986 for the meaning of “health service body”.

986 Meaning of “health service body”

In section 985 “health service body” means a body mentioned in the following table—

| <i>Body</i> | <i>Provision under which body established</i> |
|---|--|
| the Common Services Agency for the Scottish Health Service | section 10 of the National Health Service (Scotland) Act 1978 |
| a Health and Social Services Board | Article 16 of the Health and Personal Social Services (Northern Ireland) Order 1972 (S.I. 1972/1265 (N.I. 14)) |
| a Health and Social Care trust | Article 10 of the Health and Personal Social Services (Northern Ireland) Order 1991 (S.I. 1991/194 (N.I. 1)) |
| a Health Board | section 2(1)(a) of the National Health Service (Scotland) Act 1978 |
| a Local Health Board | section 11 of the National Health Service (Wales) Act 2006 |
| a National Health Service trust | section 25 of the National Health Service Act 2006 or section 18 of the National Health Service (Wales) Act 2006 |
| an NHS foundation trust | section 30 of the National Health Service Act 2006 |
| the Northern Ireland Central Services Agency for the Health and Social Services | Article 26 of the Health and Personal Social Services (Northern Ireland) Order 1972 (S.I. 1972/1265 (N.I. 14)) |
| a Primary Care Trust | section 18 of the National Health Service Act 2006 |
| the Scottish Dental Practice Board | section 4 of the National Health Service (Scotland) Act 1978 |

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| <i>Body</i> | <i>Provision under which body established</i> |
|---|--|
| a special health and social services agency | Article 3 of the Health and Personal Social Services (Special Agencies) (Northern Ireland) Order 1990 (S.I. 1990/247 (N.I. 3)) |
| a Special Health Authority | section 28 of the National Health Service Act 2006 or section 22 of the National Health Service (Wales) Act 2006 |
| a Special Health Board | section 2(1)(b) of the National Health Service (Scotland) Act 1978 |
| a Strategic Health Authority | section 13 of the National Health Service Act 2006 |

987 NHS foundation trusts

- (1) The Treasury may by order provide that an NHS foundation trust (see the table in section 986) is liable to corporation tax in relation to a specified activity or class of activity.
- (2) The Treasury may make an order under subsection (1) only—
 - (a) in relation to an activity or class of activity that appears to the Treasury to be of a commercial nature, and
 - (b) if the condition in subsection (3) is met.
- (3) The condition is that the making of an order appears to the Treasury to be expedient for the purpose of avoiding, removing or reducing differences between—
 - (a) the tax treatment of the body undertaking the activity, and
 - (b) the tax treatment of another body or class of body which is of a commercial nature and which undertakes or might undertake the same or a similar activity.
- (4) For the purposes of subsection (2)(a) an activity authorised under section 43(1) of the National Health Service Act 2006 is not to be treated as an activity of a commercial nature.
- (5) An order under subsection (1) must make provision for determining the amount of the profits relating to an activity that are to be charged to corporation tax as a result of the order.
- (6) An order under subsection (1) may in particular—
 - (a) make provision for disregarding profits of less than a specified amount in respect of a relevant period,
 - (b) make provision for disregarding a specified part of profits in respect of a relevant period, or
 - (c) make provision for disregarding all or part of profits relating to activity for which receipts or turnover (as defined by the order) are less than a specified amount in respect of a relevant period.
- (7) “Relevant period” means—
 - (a) a financial year or accounting period, or
 - (b) a specified part of a financial year or accounting period.
- (8) An order under subsection (1)—
 - (a) may apply, with or without modification, a provision of the Tax Acts,

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- (b) may disapply a provision of the Tax Acts,
 - (c) may make provision similar to a provision of the Tax Acts, and
 - (d) may make provision generally or in relation to a specified body or class of bodies.
- (9) No order may be made under subsection (1) unless a draft of the statutory instrument containing it has been laid before and approved by a resolution of the House of Commons.

Reserve Bank of India and State Bank of Pakistan

988 Issue departments of the Reserve Bank of India and the State Bank of Pakistan

No liability to corporation tax arises in respect of income of the issue department of—

- (a) the Reserve Bank of India constituted under an Act of the Indian legislature called the Reserve Bank of India Act 1934, or
- (b) the State Bank of Pakistan constituted under certain orders made under section 9 of the Indian Independence Act 1947.

Agricultural societies

989 Agricultural societies

- (1) No liability to corporation tax arises in respect of profits of an agricultural society which—
- (a) arise from an exhibition or show held for the purposes of the society, and
 - (b) are applied solely for the purposes of the society.
- (2) In this section “agricultural society” means any society or institution established for the purpose of promoting the interests of—
- (a) agriculture,
 - (b) horticulture,
 - (c) forestry, or
 - (d) the breeding of any kind of animal.

CHAPTER 9

OTHER MISCELLANEOUS PROVISIONS

European Economic Interest Groupings

990 European Economic Interest Groupings

- (1) The following rules about European Economic Interest Groupings apply for the purposes of charging corporation tax in respect of income—

Rule 1

A grouping is treated as acting as the agent of its members.

Rule 2

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The activities of a grouping are treated as those of its members acting jointly.

Rule 3

Each member of a grouping is treated as having a share of the grouping's property, rights and liabilities.

Rule 4

Any trade carried on by the grouping is treated as carried on in partnership by the members of the grouping.

- (2) For the purposes of Rule 3, a member's share of any property, rights or liabilities of a grouping is determined in accordance with the contract under which the grouping is established.
- (3) If the contract does not provide for this, the member's share is determined by reference to the share of the profits of the grouping to which the member is entitled under the contract.
- (4) If the contract does not provide for this either, the members are treated as having equal shares of the property, rights and liabilities of the grouping.
- (5) Part 5 of CTA 2009 (loan relationships) applies in relation to a grouping as it applies in relation to a firm.
- (6) For the purposes of subsection (5) see in particular the following provisions of Part 5 of CTA 2009—
 - Chapter 9 (partnerships involving companies),
 - section 467 (connections where partnerships involved),
 - section 472 (meaning of "control"), and
 - sections 473 and 474 (meaning of "major interest" etc).
- (7) "European Economic Interest Grouping" means a European Economic Interest Grouping formed under [Council Regulation \(EEC\) No 2137/85](#) of 25 July 1985, whether registered in Great Britain, Northern Ireland or elsewhere.

Harbour reorganisation schemes

991 Harbour reorganisation schemes: corporation tax

- (1) This section and sections 992 and 993 apply if—
 - (a) the trade of any body corporate other than a limited liability company is transferred to a harbour authority,
 - (b) the transfer is made by or under a certified harbour reorganisation scheme, and
 - (c) the scheme provides for the dissolution of the transferor.
- (2) For the purposes of the provisions of the Corporation Tax Acts that apply—
 - (a) only if a person starts to carry on a trade, or
 - (b) only if a person ceases to carry on a trade,the transferor is not treated as ceasing to carry on the trade, and the transferee is not treated as starting to carry it on.
- (3) Subsection (4) applies if an amount ("the loss amount") would have been available to the transferor for relief under section 45 (carry forward of trade loss against subsequent trade profits) had the transferor continued to carry on the transferred trade.

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- (4) The transferee is entitled to relief under section 45 in respect of the loss amount as if the transferee had made a loss in carrying on—
 - (a) the transferred trade, or
 - (b) any trade of which the transferred trade comes to form part.
- (5) The loss amount is subject to any claim made by the transferor under section 37 (relief for trade losses against total profits).

992 Harbour reorganisation schemes: capital allowances etc

- (1) For the purposes of this section—
 - (a) “relevant allowance” means any allowance that would have fallen to be made to the transferor under CAA 2001 if the transferor had continued to carry on the trade, and
 - (b) “relevant charge” means any charge that would have fallen to be made on the transferor under CAA 2001 if the transferor had continued to carry on the trade.
- (2) All relevant allowances and charges are to be made in accordance with CAA 2001 to or on the transferee (and not the transferor).
- (3) The amount of a relevant allowance or charge is to be calculated as if—
 - (a) the transferee had been carrying on the trade since the transferor had begun to do so, and
 - (b) everything done to or by the transferor had been done to or by the transferee.
- (4) A sale or transfer which, on the transfer of the trade, is made by the transferor to the transferee of any assets in use for the purposes of the trade is not treated as giving rise to a relevant allowance or charge.

993 Harbour reorganisation schemes: chargeable gains

- (1) The transferee is entitled to corporation tax relief in respect of chargeable gains for an amount to which subsection (2) applies.
- (2) This subsection applies to an amount for which, if the transferor had continued to carry on the trade, it would have been entitled to claim relief in respect of allowable losses.

994 Transfer of part of trade

- (1) This section applies if part of a trade of any body corporate other than a limited liability company is transferred to a harbour authority by or under a certified harbour reorganisation scheme.
- (2) If the transferor continues to carry on the remainder of the trade, sections 991, 992 and 993 apply as if the transferred part had at all times been a separate trade.
- (3) If—
 - (a) the trade is transferred in parts to two or more harbour authorities, and
 - (b) the scheme provides for the dissolution of the transferor,sections 991, 992 and 993 apply as if each of the transferred parts had at all times been a separate trade.

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- (4) If a part of a trade is treated by virtue of subsection (2) or (3) as having been a separate trade over any period—
- (a) any necessary adjustments of accounting periods are to be made, and
 - (b) just and reasonable apportionments of receipts, expenses, allowances or charges are to be made.
- (5) Section 952(2) and (3) (apportionment if part of trade treated as separate trade) apply to any apportionment under subsection (4).

995 Interpretation of sections 991 to 994

- (1) This section applies for the purposes of sections 991 to 994.
- (2) “Harbour authority” has the same meaning as in the Harbours Act 1964.
- (3) “Harbour reorganisation scheme” means any statutory provision providing for the management by a harbour authority of any harbour or group of harbours in the United Kingdom.
- For this purpose “statutory provision” means any enactment, or any scheme, order or other instrument having effect under an enactment, and includes an enactment confirming a provisional order.
- (4) “Certified”, in relation to a harbour reorganisation scheme, means certified by—
- a Minister of the Crown,
 - a government department, or
 - the Scottish Ministers,
- as providing for management as mentioned in subsection (3) with a view to securing, in the public interest, the efficient and economical development of the harbour or harbours in question.
- (5) “Limited liability company” means a company having a limit on the liability of its members.
- (6) “Transferor”, in relation to a trade, means the body from which the trade is transferred, whether or not the transfer is effected by that body.
- (7) “Transferee”, in relation to a trade, means the harbour authority to which the trade is transferred.

Groups: use of different accounting practices

996 Use of different accounting practices within a group of companies

- (1) Subsection (2) applies if—
- (a) a company (“company A”) prepares accounts in accordance with international accounting standards,
 - (b) another company (“company B”) in the same group of companies prepares accounts in accordance with UK generally accepted accounting practice,
 - (c) there is a transaction between, or a series of transactions involving, company A and company B, and

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- (d) a tax advantage would (apart from this section) be obtained by either or both of those companies in relation to the transaction or series of transactions as a result of the use of different accounting practices.
- (2) The Tax Acts apply in relation to the transaction or series of transactions as if both company A and company B prepared accounts in accordance with UK generally accepted accounting practice.
- (3) Section 170(3) to (6) of TCGA 1992 apply to determine for the purposes of this section whether companies are in the same group of companies.
- (4) None of the following circumstances (individually or in combination) prevents a series of transactions from being a series of transactions involving company A and company B—
 - (a) there is no transaction in the series to which both those companies are parties,
 - (b) the parties to any arrangements in pursuance of which the transactions in the series are entered into do not include one or both of those companies,
 - (c) there are one or more transactions in the series to which neither of those companies is a party.
- (5) In this section “tax advantage” has the meaning given by section 1139.